AGN. NO.

MOTION BY SUPERVISOR DON KNABE AND SHEILA KUEHL December 15, 2015

On March 17, 2015, the Board instructed the Internal Service Department's County Office of Sustainability (COS) to look into the feasibility of establishing Community Choice Aggregation in the County of Los Angeles, and to submit a written report back to the Board of Supervisors. On June 24, 2015, the Director of ISD submitted the requested report (CCA Report), which highlighted the many significant benefits of CCAs. In response to this report, the Board of Supervisors, at its September 8, 2015 meeting, directed the Internal Services Department (ISD) to move forward with retaining a community choice aggregation (CCA) consultant to conduct a preliminary technical analysis on the feasibility of establishing a CCA program for the County's unincorporated areas, with potential expansion to other local entities.

The California legislature adopted Community Choice Aggregation legislation in 2002 that set forth the process by which cities and counties in California can form nonprofit entities that purchase electricity from wholesale power generators on behalf of

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their communities. A CCA replaces the existing, investor-owned utilities (e.g., Southern California Edison, Pacific Gas & Electric) in obtaining electricity and designing retail electricity rates for end-use customers. A CCA relies upon existing electric distribution infrastructure managed by investor-owned utilities to transport electricity to customers. Under the terms of the enabling legislation, the CCA becomes the de facto electricity provider for the community's residents: all customers are transitioned into the CCA and must opt out to remain with the investor-owned utility.

In the Board's September 8 motion directing ISD to hire a consultant to conduct CCA feasibility analyses, the Board noted the important benefits that CCAs provide. Because CCAs are non-profit entities, they are able to provide their customers with less-expensive energy than for-profit investor-owned utilities. Moreover, CCAs may choose to provide power that is greener than that of investor-owned utilities, who are currently required to provide 20% green energy, rising to 33% by 2020. Additionally, CCAs can, through their rate structure and incentives programs, encourage customers to install renewable energy-producing infrastructure on-site by compensating customers for power that they return to the grid. Thus, CCAs can be a win-win for communities they serve by providing cleaner, less expensive electricity.

The California Public Utilities Commission (CPUC) authorized the investor-owned utilities to charge customers who participate in CCA programs an "exit fee" called the Power Charge Indifference Adjustment (PCIA), which may be annually revised to take account of the cost of utilities' electric supply that exceeds a market benchmark.

It has recently come to our attention that PG&E submitted Application 12-06-001, which requests that the statewide PCIA for PG&E's former customers who choose to switch to a CCA be adjusted upward by approximately 95%, effective January 2016. A 95% increase in the PCIA implemented all at once will impose a significant cost increase on CCA customers, and will make it much more challenging and expensive for jurisdictions like Los Angeles County to implement a CCA. This proposed fee increase would make CCAs less competitive vis-à-vis the utilities. While this PCIA increase only impacts communities within PG&E's jurisdiction, approval of the significant rate increase would open the door for other utilities to petition the CPUC to do the same. In short, PG&E's request, if approved, would create terrible precedent for other jurisdictions seeking to form a CCA.

WE, THEREFORE MOVE that the Board of Supervisors instruct the Executive Office to send a five signature letter to the CPUC urging them to reject PG&E's proposed increase to the PCIA, and also to determine the need for charges like the PCIA in light of the potential growth of CCAs statewide.

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